

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 AID-05 SP-02 USIA-06 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 XMB-02 FRB-03
COME-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 PA-01 PRS-01 IGA-02 AGRE-00 /082 R

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R 232106Z FEB 77
FM SECSTATE WASHDC
TO AMEMBASSY JIDDA
INFO AMEMBASSY ABU DHABI
AMEMBASSY BEIRUT
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY KUWAIT

C O N F I D E N T I A L STATE 040515

E.O. 11652: GDS

TAGS: EAID, SA, LE

SUBJECT: SAUDI ASSISTANCE TO LEBANON

REFERENCES: (A) JIDDA 406, (B) BEIRUT 256

SUMMARY: USG HAS PUT TOGETHER SHORT-TERM ASSISTANCE
PACKAGE TOTALLING DOLS 50 MILLION FOR GOL, BUT LONG-TERM
ASSISTANCE DECISIONS AWAIT FURTHER STUDY AND RECOMMENDA-
TIONS BY IMF, IBRD, AND OTHER ORGANIZATIONS. PUBLIC
TRANSPORTATION, HIGHWAY MAINTENANCE EQUIPMENT, AND TELE-
COMMUNICATIONS EQUIPMENT ARE URGENT SHORT-TERM NEEDS TO
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WHICH SAG COULD USEFULLY RESPOND. FOR DIRECTION ON LONGER-
TERM ASSISTANCE, RECOMMEND SAG CONSULT WITH IMF AND IBRD
OFFICIALS, AND WITH LEBANESE DIRECTLY, TO DETERMINE HOW IT
MAY BEST ASSIST PROCESS OF RESTORING LEBANESE ECONOMY AND
INFRASTRUCTURE TO HEALTHY CONDITION. END SUMMARY.

1. SHORT-TERM U.S. AID: AID REPORT FOCUSES PRINCIPALLY ON

SHORT-TERM RELIEF AND REHABILITATION NEEDS FOR LEBANON. REPORT'S RECOMMENDATIONS FOR USG COMPRISE A SHORT-TERM ASSISTANCE PACKAGE OF DOLS 50 MILLION (ANNOUNCED FEBRUARY 18 BY THE SECRETARY) COMPOSED AS FOLLOWS: (A) DOLS 20 MILLION TITLE I FOOD PROGRAM (PL 480).(B) DOLS 15 MILLION HOUSING INVESTMENT GUARANTEE PROGRAM FOR LOW-INCOME

FAMILIES. (C) DOLS 15 MILLION IN GRANT AID, INCLUDING DOLS 4 MILLION FOR A HOME REPAIR PROGRAM; ONE-HALF MILLION FOR TECHNICAL ASSISTANCE AND TRAINING IN HOUSING AREA; DOLS 5 MILLION FOR PORT OF BEIRUT; DOLS 3 MILLION FOR HEALTH ACTIVITIES; DOLS 1 MILLION FOR MEDICINES AND SUPPLIES FOR AMERICAN UNIVERSITY HOSPITAL; DOLS 1.5 MILLION FOR OTHER WORTHWHILE ACTIVITIES IDENTIFIED OVER NEXT FEW MONTHS. WE BELIEVE THIS PROGRAM IS LARGE ENOUGH TO DEMONSTRATE STRONG USG SUPPORT FOR GOL RELIEF AND REHABILITATION EFFORTS BUT NOT SO LARGE AS TO PREEMPT OR DISCOURAGE CONTRIBUTIONS FROM OTHER PROSPECTIVE DONORS.

2. LONG-TERM NEEDS: THERE ARE ONLY ROUGH ESTIMATES (APPROX DOLS 2.5 BILLION) AVAILABLE FOR MATERIAL DAMAGES SUFFERED AS RESULT OF FIGHTING. USG DECISIONS ON LEVEL AND NATURE OF U.S. ROLE IN LEBANON'S LONG-TERM RECONSTRUCTION EFFORTS WILL BE DEFERRED UNTIL MORE INFORMATION IS AVAILABLE AND GOL PLANS ARE CLEARER LATER THIS YEAR. A NUMBER OF STUDIES NOW UNDERWAY SHOULD HELP MEET THIS NEED, INCLUDING WORLD BANK (STUDY MISSION ARRIVING LEBANON IN LATE FEBRUARY) AND IMF SURVEYS PLANNED FOR THIS SPRING; A FRENCH STUDY OF DOWNTOWN BEIRUT; A BRITISH STUDY OF BEIRUT

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PORT; AND RECONSTRUCTION PLANS DEVELOPED BY GOL DEVELOPMENT AND RECONSTRUCTION COUNCIL WHEN THIS ORGANIZATION IS ESTABLISHED. WE INTEND TO CONSULT FURTHER WITH IBRD BEFORE MAKING ADDITIONAL DECISION ON ASSISTANCE TO LEBANON AND SAUDIS MAY FIND IT HELPFUL TO DO SO AS WELL.

3. AREAS REQUIRING ASSISTANCE: AID TEAM CONCLUDES THAT PRESENT AND PROJECTED FOOD SUPPLIES SEEM ADEQUATE AND THAT BANK, POSTAL SERVICES, AND ELECTRICITY HAVE BEEN LARGELY RESTORED THROUGHOUT BEIRUT. LOCAL TELEPHONE SERVICE AND WATER SERVICE EXPECTED TO BE FULLY RESTORED BY MID-FEBRUARY. REFINERIES ARE REPORTED OPERATING PARTIALLY AND BEIRUT AIRPORT IS PROGRESSIVELY INCREASING OPERATIONS. BEIRUT PUBLIC TRANSPORTATION SYSTEM, ON OTHER HAND, IS BADLY IN NEED OF REHABILITATION. STREET AND HIGHWAY MAINTENANCE EQUIPMENT IS URGENTLY NEEDED (OF PRE-WAR COMPLEMENT OF 400 PIECES ONLY 50 REMAIN). (GOL SUPPLIED LIST OF EQUIPMENT ROUGHLY ESTIMATED AT DOLS 12 MILLION WHICH WE HAVE PASSED ON TO WORLD BANK.) TELECOMMUNICATIONS

REHABILITATION OUTSIDE BEIRUT REQUIRES EXTENSIVE AID. LARGEST SINGLE CATEGORY OF ASSISTANCE IS THAT NEEDED TO RECONSTRUCT INNER CITY COMMERCIAL CENTER. SUBSTANTIAL PROGRESS ON THIS AWAITS GOL DECISION ON WHICH OF MANY SCHEMES IT IS PREPARED TO UNDERTAKE--A DECISION MAY BE AVAILABLE BY END OF FEBRUARY.

4. YOU MAY INFORM THE SAUDIS THAT WE BELIEVE, AT THIS TIME, THAT A SUBSTANTIAL PORTION OF THE EXTERNAL ASSISTANCE NEEDED BY LEBANON FOR RECONSTRUCTION COULD APPROPRIATELY BE IN THE FORM OF LONG-TERM SOFT LOANS. IN SOME CASES--RESTORATION OF NECESSARY BUT NON-REMUNERATIVE ADMINISTRATIVE SERVICES AND FACILITIES, INCLUDING THE PUBLIC SECURITY APPARATUS WHICH THE AID TEAM OBVIOUSLY DID NOT SURVEY--GOL OFFICIALS HAVE ARGUED WITH SOME VALIDITY THAT AID SHOULD BE ON A GRANT BASIS. WE DECIDED, THEREFORE, TO FRAME OUR DOLS 50 MILLION PACKAGE TO PROVIDE GRANT ASSISTANCE IN THE CONFIDENTIAL

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VITAL AREAS OF PORT FACILITIES, HEALTH SERVICES, AND EMERGENCY HOUSING.

5. WE ARE ARRANGING TO SEND BY POUCH SEVERAL DRAFT SECTIONS OF REPORT DEALING WITH AREAS IN WHICH THE SAUDIS MIGHT WISH TO FOCUS THEIR PROGRAM. WHILE THE COMMENTARY AND RECOMMENDATIONS IN THESE DRAFTS RELATE ONLY TO CONSIDERATION OF POSSIBLE USG AID AND ARE NOT NECESSARILY THOSE IN THE FINAL REPORT, THE RAW FACTUAL DATA IS VALID AND YOU MAY FEEL FREE TO DRAW UPON IT IN YOUR TALKS WITH MANSOURI.

6. FYI: MAURICE BART OF THE IBRD RECENTLY INFORMED US THAT THE SAUDIS WERE NEGATIVE AS REGARDS FINANCIAL SUPPORT FOR LEBANON'S RECONSTRUCTION EFFORT. ON HIS CURRENT TRIP TO THE MIDDLE EAST, BART OR ONE OF HIS IBRD ASSOCIATES WILL BE RECHECKING SAUDI ATTITUDES IN THIS REGARD. OUR VIEW IS THAT MOST NECESSARY OUTSIDE FINANCIAL ASSISTANCE FOR LEBANON WILL HAVE TO COME FROM ARAB DONORS OR INTERNATIONAL INSTITUTIONS. ON PRESENTING INFORMATION ON THE U.S. EFFORT, EMBASSY SHOULD MAKE CLEAR THAT WE REMAIN OPEN-MINDED ABOUT FURTHER HELP FOR RECONSTRUCTION EFFORTS AND NOT REPEAT NOT LEAVE IMPRESSION THAT DOLS 50 MILLION PROGRAM ANNOUNCED FEBRUARY 18 IS THE END OF OUR EFFORT. SUCH IMPRESSION COULD REINFORCE REPORTED NEGATIVE ATTITUDES OF THE SAUDIS. END FYI.
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